

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 EB-11 COME-00 SCI-06 SCEM-02 INT-08

TRSE-00 NEA-10 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAB-01 IO-14 OMB-01 AID-20 DRC-01 EUR-25 /191 W
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P R 170912Z DEC 73

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 1627

INFO AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY BANGKOK

AMCONSUL HONG KONG

C O N F I D E N T I A L SEOUL 8472

E.O. 11652: GDS

TAGS: ENGR KS

SUBJECT: PETROLEUM SUPPLY SITUATION KOREA

REF: A. SEOUL 8229; B SEOUL 8449 (NOTAL)

SUMMARY: MAIN DEVELOPMENT OVER PAST SEVERAL DAYS ON
KOREAN REACTION TO OIL CRISIS HAVE BEEN (1) INTENSI-
FIED PUBLIC MOVES OT OBTAIN ARAB DESIGNATION AS
FRIENDLY STATE (2) IMPROVEMENT OF ALLOCATIVE
MACHINERY AND (3) APPARENT PARTIAL AMELIORATION OF
SUPPLY/DEMAND OUTLOOK IN DECEMBER. END SUMMARY.

1. KOREAN-ARAB RELATIONS. FIRST MAJOR POLICY
ACTION BY NEW FOREIGN MINISTER KIM DONG YO WAS
DECEMBER 15 RELEASE OF ROKG STATEMENT FAVORING ARAB
POSITION (REFTEL B). AS REPORTED REFTTEL B, ROKG HAS
SENT BLUE HOUSE FOREIGN POLICY ADVISOR AND FORMER
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FONMIN CHOE KYU HA TO SAUDI ARABIA TO NEGOTIATE A

SECURE SUPPLY OF CRUDE OIL FOR THE ROK. CHOE IS ACCOMPLISHED BY ASSISTANT FONMIN KIM CHUNG TAE, WHO FAILED DURING A NOVEMBER TRIP TO JIDDA TO OBTAIN THE OIL WITHOUT A PUBLIC EXPRESSION OF SUPPORT FOR THE ARABS BY THE ROKG, AND BY ASSISTANT COMMERCE INDUSTRY MINISTER CHOI CHONG MYONG. KOREANS HOPE THAT ARABS WILL RELAX RESTRICTIONS IN RETURN FOR SUPPLIES OF KOREAN CEMENT, DEVELOPMENT WORK BY KOREAN CONSTRUCTION FIRMS, AND TECHNICAL ASSISTANCE IN CIVILIAN DEVELOPMENT PROJECTS. ACCORDING TO MOFA WORKING LEVEL SOURCE, ARAB ASSENT TO DIRECT ROKG PROCUREMENT OF CRUDE OIL IS NOT LIKELY TO BE FORTHCOMING AT THIS TIME. SAME SOURCE ALSO CLAIMED (PERHAPS WITH FINGERS CROSSED) THAT RGMG DOES NOT INTEND TO PROVIDE TECHNICAL ASSISTANCE FOR ARAB MILITARY EQUIPMENT. IN RELATEK MOVES, KOREA ELECTRIC COMPANY (KECO) ANNOUNCED DIRECT PURCHASE OF 35,000 TONS OF BUNKER C FROM MID EAST SOURCES.

KECO SOURCE INFORMED EMBASSY THAT TRANSACTION WAS ARRNGED BY ROKG, AT PRICE OF \$4.75 PER BARREL OR SOME 20 PER CENT OVER KECO'S NORMAL COST. ROKG'S TRADE PROMOTION AGENCY, KOTRA, PUBLICLY INAUGURATED AN ARAB-KOREA FRIENDSHIP SOCIETY, WITH MEMBERSHIP DRAWN FROM BUSINESS COMMUNITY.

2. ALOCATIVE MECHANISM. AN ENERGY PROBLEMS TASK FORCE HAS BEEN ESTABLISHED TO IMPLEMENT POLICIES DETERMINED BY MINISTERIAL-VICE MIINISTERIAL LEVEL SJERGY COMMITTEE. HEADED BY EPB PLANNING COORDINATOR CHOI, CHANG NAK, NEW TASK FORCE HAS MEMBERS FROM EACH CONCERNED MINISTRY, OIL REFINERS AND LOCAL GOVERNMENT. TASK FORCE MAKES DAILY SURVEY, THROUGH PROVINCIAL GOVERNMENTS, OF ANY DISTRIBUTION BOTTLE-NECKS EXISTING AND INSTRUCTS APPROPRIATE MINISTRY TO TAKE CORRECTIVE ACTION. TASK FORCE ALSO REVIEWS OVERALL SUPPLY AND DEMAND OF OIL, COAL AND ELECTRIC POWER IN ORDER TO RECOMMEND ALLOCATION POLICIES TO ENERGY COMMITTEE AND BLUE HOUSE.

3. OUTLOOK. FOLLOWING INFORMATION (NOT RELEASED TO CONFIDENTIAL

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PUBLIC BY ROKG) WAS OBTAINED ON CONFIDENTIAL BASIS FROM TASK FORCE SOURCE.

PETROLEUM PRODUCTS OUTPUT	UNIT: MILLION BARRELS
OCT NOV DEC	
1972 ACTUAL 6.3 7.4 9.0	
1973 ORIGINAL WINTER S/D PLAN 9.5 11.2 12.1	
1973 S/D PLAN REVISED IN OCT 8.6 9.0 10.0	
1972 ALLOCATION --- 7.5 8.3	

ONLY SPOTTY INFORMATION IS AVAILABLE ON CRUDE OIL
LIFTINGS. ORIGINAL 1974 WINTER SUPPLY DEMAND PLAN
CALLED FOR CRUDE IMPORTS OF 11.4 MILLION BARRELS IN
OCTOBER, 10.5 MILLION BARRELS IN NOVEMBER AND 12.7
MILLION BARRELS IN DECEMBER. ALTHOUGH INDUSTRY SOURCES

INDICATESOME POSSIBLE SLIPPAGES IN TANKER ARRIVALS,
TASK FORCE ANTICIPATES ARRIVAL OF ABOUT 11.4
MILLION BARRELS OF CRUDE IN DECEMBER. SUBSTANTIAL
DIFFERENCE BETWEEN CRUDE IMPORT AND PRODUCT ALLOCATION
WILL GO TO INVENTORY BUILDUP. NO INFORMATION ON
JANUARY OUTLOOK IS AVAILABLE YET. ALLOCATION HAS
BEEN APPLIED DIFFERENTIALLY BY PRODUCT, RANGING
FROM ZERO REDUCTION FORJP-4, 12 PERCENT REDUCTION
FOR MOGAS, 15 PERCENT FOR JPA1, 18.6 PERCENT FOR
BUNKER C, AND 50 PERCENT FOR LRFO AND ASPHALT.
ALLOCATION ALSO VARIES BY INDUSTRY AND USE. DEFENSE
NEEDS ARE MET COMPLETELY. CERTAIN INDUSTRIAL USERS
MUST CUT ELECTRICITY CONSUMPTION BY 17 PERCENT
WHILE OVERALL POWER REDUCTION OF 8 PERCENT IS
EXPECTED IN DECEMBER. GENERAL INDUSTRY ALLOCATIONS
IN DECEMBER GIVE LESS TO "STRATEGIC INDUSTRIES" AND
MORE TO "OTHER INDUSTRY," ACCORDING TO REFINERY
SOURCES. ACTUAL IMPACT ON INDUSTRY AND ECONOMY,
HOWEVER, REMAINS TO BE DETERMINED.
UNDERHILL

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